

SAPC - 6729
Copy 5 of 6

4 June 1956

MEMORANDUM FOR: Project Director

SUBJECT : Insurance Coverage - U.S. Contract Employees

1. On 1 June, the undersigned handcarried an insurance application on one of our U.S. contract pilots to the Office of Personnel in order to pay premiums and initiate coverage. We were informed by [REDACTED] Chief, Insurance Branch, that something had come up which would prevent his acceptance of our premium payment.

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2. We subsequently visited the Director of Personnel - Mr. Reynolds - and were joined by [REDACTED] Chief of Insurance and Casualty Division, Office of Personnel and [REDACTED] Executive Officer, Office of Personnel who explained that a meeting of the GEHA Board of Directors on 31 May had questioned [REDACTED] as to his acceptance of insurance applications for our Project AQUATONE contract employees. This resulted directly from the claim recently processed in the case of the death of [REDACTED]. Mr. Reynolds informed us that he had initiated a memorandum to the Office of the General Counsel setting forth the objections raised by the GEHA Board of Directors, and reopened the whole question of insurance coverage for AQUATONE contract employees. We were further informed that the GEHA action was based on the non-acceptability of our employees as members of the Government Employees Health Association and therefore these employees were not eligible for WAEPA coverage, as well as UELIC coverage. This means that this Project has now been unable to process \$30,000 worth of coverage with GEHA for the last employee of our current group. We raised the point of whether or not cases were covered for which insurance premiums have already been accepted and the answer was in the affirmative although the Board of Directors of GEHA has requested the Agency to withdraw these policies from the Association and place the insurance elsewhere.

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3. We informed Mr. Reynolds that the employee in question had an effective date of contract of 1 June; that a commitment had been made to him for \$48,000 worth of insurance and that we felt that this was an Agency commitment which must be recognized. Mr. Reynolds then called Mr. Houston who agreed that any claim resulting in the interim period pending resolution of the whole insurance matter would be handled by the Agency one way or another - possibly from operational funds.

4. We are informed that the matter of insurance coverage is under immediate study by Mr. Houston and that we will be kept advised of developments leading to a satisfactory solution of the problem for all concerned. We are therefore following up with Mr. Houston.

Distr: 1 - Proj Dir
2 - JAG
3 - Pers

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Approved For Release 2000/08/14 : CIA-RDP33-02415A000100400147-3

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